



Season 5 Episode 4 — Ag Market Outlook

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Announcer

The Alabama Crops Report Podcast, your trusted information source for Alabama agriculture.

Scott Graham

Hey, everybody, welcome into the Alabama Crop Report podcast. Got, Simer and Scott here and a couple of long time recurring guest, Adam Rabinowitz and William Sawadgo. Guys. How's it going?

Adam Rabinowitz

It's going really well, Scott. Yeah? The opportunity to be here.

Wendiam Sawadgo

Yep. Good to be on with you.

Simer Virk

Yeah. So I guess maybe even just start right there if you guys want to touch on what, what is kind of a few brief comments about the outlook for this year.

Scott Graham

And we're recording this, February the 5th. We'll give that that caveat.

Adam Rabinowitz

That is a great caveat too, because, I mean, I feel like right now things change. Yeah, not necessarily weekly but or daily even, but sometimes by the hour with, some of the policy stuff we can talk about to.

Wendiam Sawadgo

Definitely. I mean, the past two weeks, we've seen really big shifts in terms of the corn and soybean markets. You know, just starting there. We saw some major revisions from the USDA in the January Wednesday report. From last year. We thought we would have, you know, very good yields nationwide. They revised soybeans down about three bushels per acre.

Wendiam Sawadgo

So that had a sizable impacts. Corn was revised down about a bushel per acre. And so that really shot those prices for those two big crops up. Quite a bit.

Scott Graham

Well, I guess it we're just we don't have that many acres to affect it. But Alabama was obviously significantly more than that. If you look at, you know, our our average acre, our average yield for for soybeans and corn this past year, it was not good.

Wendiam Sawadgo

It wasn't. And, you kn

ow, it was mostly the Midwest that was, you know, better than average. But those came down a bit as well. And so, you know, as we look into next year, at least for those two crops, the price situation is a little bit better than I would have said, you know, a month ago. But again, as Adam mentioned, everything's changing by the day.

Simer Virk

So where are are today?

Wendiam Sawadgo

You know, corn prices, if we look at our futures, for harvest month, we're around 470 a bushel. So, you know, that be quite a bit better than we were at last year. For soybeans, where, you know, above \$10, around \$10.70.

Scott Graham

Robert Cotton still in that 66 cent range?

Wendiam Sawadgo

Yeah, still below \$0.70. For cotton and then wheat still, you know, below \$7.

Scott Graham

I don't know how much wheat we've got this year. Trying to remember back what it was like there and planning. Was it was it dry? I don't remember now. Dry. Wet, normal, I don't know.

Simer Virk

Yeah.

Wendiam Sawadgo

Yeah.

Simer Virk

I'm. I'm not even sure how much we have.

Scott Graham

He's making a he's making enough to just cut this part of that.

Simer Virk

But I guess going back to the prices, you know, and we have had this conversation with three of our other guests, you know, what are growers going to do this year, especially given the current price and how the acreage is going to change and stuff like that? Do you guys also kind of on those type of numbers or scenarios, or you expect things to kind of that those prices to kind of dictate what's going to happen in Alabama?

Adam Rabinowitz

Well, so I think there are a number of things that ultimately affect terms of planted acres in Alabama. Right. And some of it certainly is the market and what those options are on those prices. And at the moment here, I think we could probably talk about a little on how those prices compare to some cost of production. You know, at least, you know, forecast estimates.

Adam Rabinowitz

But the other side of it too, comes to, you know, the agronomic side rotation. Right. And so long term producers need to to kind of balance that long term component of, you know, how to maintain yields in a particular field, as opposed to just thinking about what the the market shift is going to do for, for this year.

Adam Rabinowitz

So it's kind of a balance of the two that needs to be looked at.

Scott Graham

Actually, I talked to a consultant from North Alabama this morning, and I asked him what guys were going to do in his area, and he thought it would cotton would be relatively flat. They would probably shift some beans to corn. He said, right now, nobody's excited about beans up there. They had a lot of, you know, light planted beans, double crop beans that that were in the teens in terms of bushels per acre.

Scott Graham

So he thought, which I was kind of surprised, you know, the Tennessee Valley some places got hit on the chin pretty hard in cotton, but they're still going to stick with it for the most part.

Adam Rabinowitz

So why don't we continue kind of maybe talking about cotton? Wendy, that cotton price that you mentioned right now was that where was it at?

Wendiam Sawadgo

That was yeah, below \$0.70. And you know, with cotton, you know, cotton peanuts really are some of our higher input crops we have out there production costs, you know, maybe over \$1,000 per acre. So, you know, we've had we haven't talked about production costs yet, but last few years, those have come up quite a bit. So that's another disadvantage for, you know, those high cost crops as well.

Wendiam Sawadgo

And, you know, the prices being as low as they are. You know, I, I think Scott's right on. I wouldn't be surprised if we see a cut in Cotton Acres.

Simer Virk

Yeah. Funny you mentioned that. And I know we had some discussion back in December. In one of our team meetings. I was putting the report together for my cotton project from Georgia last year, and we'll be and these these studies, we did variable rate seeding and all that. And we usually try to take seed price and other inputs and the the yield map and put it and create a profit loss map for the field.

Simer Virk

Trustingly. My 2023 map looked good.

Scott Graham

You had a profit gain map,

Simer Virk

And then last year when I punched the data in and I looked up crop budgets and put the seed cost and obviously everything, my map was all red. You know, I'm like, okay, this is not a really good result to share, but this is what it is, you know? So that was very interesting to me how just when one year the field went from being green, which was either you breakeven or you had a profit in majority of the field to where we had a loss across most of the field.

Scott Graham

Was part of that. You said that was from Georgia, was at the hurricane. You think I was part of that?

Simer Virk

No. The yields were okay, like 1200, 11,00. Now that is just a year before that. When we did analysis, cotton was 80. When I put the number, I put it at 70. The input cost. The seed was like 276 per thousand. This time it was close to three. So when we knew the price came down and the input cost went up, certainly it threw everything out.

Simer Virk

Yeah, yeah.

Adam Rabinowitz

Yeah. I mean, there are a lot of different factors that go into the exact cost of production for a particular farmer. Right. Some of it's going to have to do with their size. Some of it's a, you know, about what different crops they're, they're producing. And some of it comes down to their management practices. But I mean, we can look just, you know, really easily at some national numbers.

Adam Rabinowitz

For cotton, for instance, the USDA was forecasting for 2025 about \$900 an acre. And, if you consider just what the average yield is nationally for cotton over the last five years, we'd be talking about a dollar. Three is a break even price. So, you know, thinking about 70, you know, cents here for, you know, a pound of cotton, you know, it needs to move up pretty significantly, or there needs to be some efficiency that the producers are looking at.

Scott Graham

And the hard thing is, you know, I feel like with cotton, we've already pretty well cut everything we can, right? I mean, you can cut your seed back, but not too much. You can cut fertilizer back, but not too much, because the best way to overcome low prices is high yield. So you've got to make sure in the field you've got the highest yields possible, that you can have potential, that you can have.

Scott Graham

But I don't know where to cut back anymore.

Adam Rabinowitz

So I will kind of push back a little bit on just chasing yield, right? I mean, I think you want to make sure that, you know, you're, you're profit maximizing in what those inputs are, right? Not necessarily just yield maximizing. So it's not necessarily about making, you know, at some point there's going to be those additional inputs are not going to give you enough yield to cover that cost.

Scott Graham

Yeah. Well and that's what I'm saying. I'm cut, cut back as far as we possibly can. But don't give don't limit your yield potential too much just to save money. You know, cotton is a very expensive crop to raise, and you've got to give it what it needs to do that.

Simer Virk

And, and, we had our, some of our crop consultants with us last week on the podcast, and Blake and I kind of mentioned the same, hey, what are you guys thinking about this year or how are you kind of working with the growers? And they said, well, we're cutting two things ceiling grapes and cotton and then nitrogen, rather fertilizer as needed.

Simer Virk

And they'd like that's where are we going to save money or even break even if we're doing anything seeding rate stuff. I'm more comfortable with in a way. They were saying most of our growers around that 29, 30 or even lower, and they were thinking about going more towards 24-25, which we have done a lot of trials and cotton as long as this were my kind of aid comes in when we start cutting seeding rate, we start emphasizing the importance of planter setup and technology, because you want to place that pretty well within that, you know, spaced.

Simer Virk

So those are some things that actually has to happen.

Scott Graham

I've seen 19,000 yield over 1,200 pounds. Yeah. But I mean, every time you put your foot down, there is a stalk on your heel and a stalk on your toe no matter where you are. And if you're going to cut it back that much, you can't have any three-foot gaps. It's got to be perfect.

Simer Virk

Yeah. No, that's that so it's interesting you said so is that break even number like a dollar. Something dollar. Is that. Well that.

Adam Rabinowitz

That that was a that's that's a national average. So that does you know a crossover certainly a huge production in in Texas and Georgia as well. I mean across the, the cotton areas. Yeah.

Scott Graham

So we got a couple economist and the guy who claims you love math, let's just say we're shooting for 900 in Alabama this year. Well, what would that put us at with 70 cent cotton.

Simer Virk

That's so now our going back to we may want to do this math on our irrigated production. Dry land because again, most of our.

Scott Graham

Yeah, we're mostly dry.

Simer Virk

So if you yield 900 and we're at 70 sand, you're making about 6 to 630 or.

Scott Graham

630 per acre.

Simer Virk

And then the production cost is what.

Adam Rabinowitz

Yeah. Nationally 900.

Simer Virk

Is that dry land.

Adam Rabinowitz

So that's that's a combination of dry land and irrigated.

Simer Virk

I.

Adam Rabinowitz

I'll tell you the average yield.

Simer Virk

We're not break even there. I know because I remember like just fresh in my mind looking at numbers from Georgia, which ours may not be too off irrigated or dry land was somewhere around 750-760 and then irrigated was more like 1010 or something. So even for dry land or even for dryland we are losing the money at that. Yeah.

Adam Rabinowitz

Yeah And so, you know, this shortfall, that is something that, you know, the, the loss that producers experienced in 2024, you know, our, our policymakers in DC recognized that this was an issue, and late December authorized some emergency assistance, for row crop producers. And so, you know, cotton, for instance, an estimated payment rate of \$84.70.

Adam Rabinowitz

You know, is what producers are looking at there. And so, you know, there's it was a \$10 billion allocation, at Washington DC. But if you look at just where Alabama is, you know, cotton payments can, you know, about \$33 million will be coming into Alabama from 2024 losses, from that economic assistance that.

Scott Graham

That was like about 88 bucks an acre. Is that right?

Adam Rabinowitz

Yeah. It's, 84, 70.

Scott Graham

So let me ask this. What if I'm a farmer? What do I need to do to get that money?

Adam Rabinowitz

So there has not been a lot of information that's come out of this. Congress stipulated that the, secretary, of the USDA needed to make these payments within 90 days. You know, there's, of course, you know, immediately after that, we go through a presidential transition and, you know, we have to get through confirmation of secretary.

Adam Rabinowitz

And there's not been a lot of movement just yet. I'm anticipating, based on the way they have made certain payments for assistance in the past couple of years, that they'll utilize crop records out of FSA to easily make those, you know, payments just automatic for those that, you know, for some reason, didn't have accurate records or file their records.

Adam Rabinowitz

You know, there might be some additional paperwork, but I anticipate the USDA will move that along.

Simer Virk

For us, though, it's not every across the whole state. If I understood it, it was only parts of the state, right? That that falls under that, I guess how are they quantifying who gets it and who don't? You know, I thought we had, like, calls, some drought related counties there.

Adam Rabinowitz

Right. So that's something different.

Scott Graham

There's active.

Adam Rabinowitz

So this economic assistance is not related to any weather disaster.

Simer Virk

Any grower climate.

Adam Rabinowitz

Any growers that, has planted an eligible commodity, in 2024. Now those eligible commodities are typically your title are your title one. You know, row crops of corn, cotton, oats, peanuts, sorghum, soybeans, wheat, you know, if you planted and harvested crops, in 2024, you will get that anywhere in the country. And so it's a per acre estimate based on the acreage that you planted.

Adam Rabinowitz

And, you know, there's, there's a payment rate that's been defined. So for peanuts, for instance, \$76.30 per acre.

Simer Virk

Our, I guess since we're kind of on some of this resources or topics, I guess. Can you guys maybe touch a little bit on what all resources, including crop budgets and stuff like that, are available from Auburn or AG econ here, and how to growers or someone wanting to know some of these prices or wanting to utilize some of these resources, can access those.

Adam Rabinowitz

So we've been undergoing a little bit of change on our crop budgets recently. And so we should have those posted this month. Some new crop budgets for 2025 that includes, some expanded information in terms of different, you know, more specific inputs to that production so producers can access those on the ACES.edu website, searching for enterprise budgets.

Adam Rabinowitz

And, they'll be able to make those adjustments that they need based on what they're actually doing for their particular operation on the field. Because that's really the key. I mean, any estimates that come out of any extension service or anywhere else, they are really just projections and they are based on some assumed practices. And so, we recognize that there's a variation in that.

Adam Rabinowitz

There's a variation. And in some of the costs that producers are paying. And you know what, you know, plans that are they're putting in place in terms of management. And so, you know, how much application, how much what their seeding rate is, things like that. So we want to make sure that they're able to adjust all of these factors in those budgets to make it more representative of what their operation is.

Simer Virk

You said they'll be posted here like by the end of the month.

Adam Rabinowitz

They they should by the end of February.

Simer Virk

End Of February they should be available.

Adam Rabinowitz

Yes.

Simer Virk

Okay.

Wendiam Sawadgo

We also have some information on the marketing side, you know, so production is important, but, you know, getting that maximum price possible is a good opportunity as well. And so, I have an online course on grain marketing, available on the ACES website and some information about projections for this year's markets as well.

Simer Virk

Yeah. That's correct.

Scott Graham

So, I'm, I'm just a cotton guy. And I know a lot of cotton farmers kind of buy into groups, right? That market, the cotton form is that similar for corn and soybeans of you kind of bind to a group or to a lot of people do it themselves.

Wendiam Sawadgo

So corn and soybeans, it's a lot on their own. You can book early. Through elevators. So, you know, my general suggestion is to break down how much you expect to sell, how much is covered by crop insurance, and to break it up over different points. You know, both pre harvest, pre planting and during the growing season and maybe say sell some after harvest as well.

Wendiam Sawadgo

But you know, booking either through an elevator or using futures and options stuff like that to really lock in those prices. Yeah. Especially now corn prices, they're closer to break even than they were, you know, a couple of months ago. And we can't say for sure that's going to be the case, you know, two months from now.

Wendiam Sawadgo

So it might be a good time to start booking at some of those prices. If we can book in profitable prices.

Scott Graham

Yeah. That that's, that's pretty important when you've got some prices that look good at a certain point you got to pull the trigger. You know, you can't just wait forever. And then you wake up one day too late. That happens. I've talked to people that have done that. It it happens.

Simer Virk

So I guess that that goes back to the timing of this thing too. Right? So that were I guess I'm curious as from my current understanding, when when do growers utilize these resources we have available to make decisions? Is it like I heard some people saying, well, we're already ordering seed back in November or December for next year, or we're already ordering input, right?

Simer Virk

So when does these start coming into play?

Wendiam Sawadgo

It should be as early as possible, you know, to make marketing decisions, having good knowledge of production costs. You know, Adam talked about breakeven for cotton being a dollar three. So, you know, knowing where that breakeven, you know, might affect what you decide to plant, but also what price targets you go after when you're in marketing and what your goals might be.

Adam Rabinowitz

Right. And you definitely have some producers that will look to, to purchase some of the pre-purchase inputs, especially in December. Some of that is for tax advantages being, you know, depending on if there is a bit of a profit one year to be able to write that off. But, you know, it is this is a critical time during the winter to, to start planning.

Adam Rabinowitz

And to that point, yeah, we didn't really talk about fertilizer yet. And you know that that is one that, has the potential in particular potassium to start going up pretty significantly. So 90% of our potassium in the US is imported. About 80% of that import comes from Canada.

Simer Virk

Hmm.

Adam Rabinowitz

Now over the last week, we have seen President Trump introduce a 25% tariff on Canada and then roll it back and push that out 30 days. Yeah. But you, you saw a 25% tariff on that, that potassium coming into the US. And, you know, that doesn't guarantee 100% of that is going to be passed through to the farmer.

Adam Rabinowitz

Some of that might get absorbed by the dealers and suppliers. Some of that might get absorbed on the other side. And Canada from lowering their price to try to continue to to move that product into the US. But we do know that, you know, there's a good part of that that's likely to end up coming down to the farmer.

Simer Virk

Does that provide an opportunity for our growers for this season? And I don't know if this works on the fertilizer to go ahead and buy what they need for this year.

Scott Graham

Yeah, I was thinking that, too. I don't know how that works.

Simer Virk

Right now until they have those 30 days before it shoots up 25%.

Adam Rabinowitz

It certainly can. If the cash is available and I know that there's a lot of farmers who are a bit cash strapped from last year because, you know, they were looking at those negative margins and, you know, and loss from last year. And so, you know, I think these USDA payments could certainly help if they come, you know, pretty quickly here, or looking for credit options as well.

Adam Rabinowitz

You know, potentially a line of credit from, from your supplier.

Simer Virk

No, I was just going to say we got here about last eight, ten minutes. If we want to touch on a few of the key things that you guys want to share, anything you think that will be really beneficial to our growers, you know, to know or understand. I think the point you made about this fertilizer is probably pretty spot on, because we were just reading about this tariffs and stuff, and I saw farmers going to absorb the cost of this.

Simer Virk

So that's definitely coming. Unless something changes, right.

Adam Rabinowitz

Unless something changes. Exactly. And I think that's that is the key when we're talking about some of these policies. You know, farmers are not going to be insulated. And I know, you know, with the tariffs during the first Trump administration, there was the market facilitation program that did provide payments as a result of the retaliatory tariffs from China.

Adam Rabinowitz

You know, there's no guarantee that that is going to happen, again, There's certainly been discussions around that. And it's certainly a possibility. But one question is going to be where that money comes from. Does it come from the Commodity Credit Corporation again? Or does it come from, you know, some other congressional appropriation? It's interesting, you know, Trump, President Trump had used the, KCC the first time in his first administration.

Adam Rabinowitz

Those funds for that market facilitation program. But it's not a guarantee that that continues because there was a push to eliminate that type of usage of those funds during the Biden administration. You know, from the Republicans to prevent that use of funds in that way. So, you know, the fact that we're now back on the other side again, does that open the door or continue to close that door?

Adam Rabinowitz

I mean, that's a political question that's out there. And we say, I'm sorry, I'm staying aware of policy, and what's happening in DC is going to be critical. And that's where, you know, at the beginning, I was mentioning, you know, things are changing by the hour right now.

Wendiam Sawadgo

And, you know, maybe keeping in mind which crops might be most affected, you know, about 85% of cotton produce is exported. So, you know, 60% for soybeans as well. So those are ones that could be, you know, affected more so by tariffs if retaliatory tariffs are imposed by other countries that we export to as well. So just something to keep in mind as we look forward.

Simer Virk

So does that end for the soybeans or corn or stuff or grains. You know with the tariffs and all that. Does that also decrease the commodity price or does it only increase count on the input side?

Wendiam Sawadgo

Yeah. So that the expectation would be that we didn't would essentially take a market we have to export. It would make our prices, essentially look less favorable. So, you know, if we take it back to, you know, the late 2010s when we had, the tariffs, towards China. And so, you know, typically, you know, the different growing seasons between the US and Brazil.

Wendiam Sawadgo

So we export a bunch of soybeans, Brazil exports a bunch of soybeans. We export, you know, just across the year. Well, what happened was the US exports pretty much dried up. And then those Brazil exports to China really increased because their soybeans were cheaper to China than U.S. were, with those, tariffs. And so essentially what happened was even as we move past that, Brazil's really taken a large share of that market.

Wendiam Sawadgo

You know, we've seen it with cotton as well. And so, you know, those trade policies could really affect the amount of products that we have to export to those countries, which, you know, essentially lowers demand and reduces the price that farmers receive.

Adam Rabinowitz

Right. And the first the first trade war resulted in China immediately going after our agricultural products. Interestingly enough, the tariffs that President Trump put in place on China this week, China's retaliation, it has not been towards agricultural products. So, you know, the situation also plays out in terms of what their needs are, their demand in their country.

Adam Rabinowitz

And that's changed a little bit since the first time. So, there's a lot of uncertainty exactly how this is going to play out. But it certainly it does affect both sides.

Scott Graham

Yeah. All right. So one one final question. Tell me something good.

Wendiam Sawadgo

You know, as far as prices go, most of them come down. Peanut prices remain pretty strong. All things considered. You know, we're for this current marketing year, projected at, you know, \$520 per ton. That'd be down about \$15, \$18 from last year. But compared to our other crops that have seen pretty sizable decreases, that might be some of the better news on my end.

Scott Graham

The peanut market is mostly domestic. I would assume.

Wendiam Sawadgo

Yes.

Adam Rabinowitz

Although we do export peanut butter to Canada, and that is one area where they have said that they are going to target retaliatory tariffs on.

Simer Virk

Stock up on peanut butter.

Scott Graham

I'm not buying it in Canada. So I don't.

Wendiam Sawadgo

Might not affect you.

Simer Virk

Well so does it also affect you know like we ex-... we import peanut butter you said?

Adam Rabinowitz

No. So we export peanut butter, to impose, they want to impose a retaliatory tariff on our peanut butter. Ultimately what that's going to do is make our peanut butter more expensive to their consumers. They buy less. There's less demand for our peanut butter. Ultimately, that's less need for peanuts from our processors.

Scott Graham

Can ya'll imagine 30 years from now when some students in Auburn are sitting in an economics an AG econ class and they're learning about the peanut butter tray wars of 2025? That's kind of a funny thing to think about. Or. Oh, yeah, we're going to make peanut butter more expensive.

Simer Virk

With everything going on. You think it will just be a peanut butter trade war, you know, there's a lot going on and well.

Scott Graham

Well, I just.

Adam Rabinowitz

I think peanut butter is a small piece of this.

Scott Graham

That just specifically is it's just kind of funny to think about in the grand scheme of things.

Simer Virk

Yeah, yeah.

Scott Graham

Well at least we can end on a chuckle there. Guys, we appreciate your time. Why don't you quickly tell where we talked about a lot of information where people can find it I assume on the extension website. But good, good tools coming out to help folks soon.

Wendiam Sawadgo

Yeah. So the extension website under, our farm management page, has regularly updated crop outlooks. You know, the online course I mentioned earlier, enterprise budgets are going to be appearing there as well. And so for anything ag economics related, that's your go to source.

Adam Rabinowitz

The other resource that I'll give you is Southern Ag today. And so SouthernAGtoday.org is a regional collaboration throughout the south of the land grant institutions. And so Wendy and I are authors, regular authors. I'm one of the editors on, on the marketing day. And, you know, we can now actually say this is an award winning initiative and collaboration.

Adam Rabinowitz

Because we just won our regional, association award for the extension program. And so these are really good resources. Every day we've got marketing livestock, farm management policy, trade, specialty crops, legal issues, every day. Just a short article. You know, that's easily digested and targeted towards farming.

Simer Virk

That's like a newsletter, daily news.

Adam Rabinowitz

It's basically a daily newsletter. You know, that, exists and you can get it in your email box again, go to SouthernAGtoday.org. Sign up for that. And you know, that is a group of ag economists who are really putting out in the region. It's a lot of good work.

Scott Graham

Outstanding. All right, guys, we enjoyed it as always. And to our listeners, appreciate you all tuning in and listening. If you have any topics or conversations you think we should have, please let us know. And we'll be back with another episode soon.

Announcer

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